WAR FOOD ADMINISTRATION
Food Distribution Administration
1013 Raleigh Building
Raleigh, North Carolina

January 11, 1944

To: Regional Director

From: Hillman Moody, State Supervisor H. M.

Subject: Corrections in the Report - "Marketing and Distribution Problems in North Carolina"

Please note the following corrections to the North Carolina report on marketing and distribution problems:

1. Page 4, Section II, B., 1. - Substitute the following statement for this entire paragraph: "Educational programs will be needed to bring about these adjustments. Sales promotion programs will be needed to stimulate purchaser demand. National programs should be sponsored to utilize a part of the surplus by teaching children the value of these commodities in the daily diet."

2. Page 5, Recommendation No. 4, 2nd paragraph - change words "immediate employment" to "immediate assignment".

cc: Committee Members

MARKETING AND DISTRIBUTION PROBLEMS IN NORTH CAROLINA

PRELIMINARY REPORT

JANUARY 1, 1944

MARKETING AND DISTRIBUTION PROBLEMS IN NORTH CAROLINA

December 31, 1943

FOREWORD

The purpose of this report is to present the need of well-planned programs for the marketing of farm products in North Carolina during the demobilization period and to recommend certain marketing projects for consideration. The report was prepared at the request of officials of the Southern Region of the Food Distribution Administration. It is a part of the Inter-Bureau Post-War Planning Program which was begun prior to the entry of the United States into World War II.

Prior to the catastrophe at Pearl Harbor, the Secretary of Agriculture directed the establishment of an Inter-Bureau Coordinating Committee and Regional Coordinating Committees to begin work on post-defense planning. Following the entry of the United States into the war, this post-defense planning activity was slowed down because it became more important to give individual attention to the winning of the war. It appears now that the time has come to begin shifting to planning for agriculture in the post-war demobilization period.

At the National Post-War Planning Conference held at Milwaukee in July, 1943, programs for work on marketing and distribution projects to be carried on during the post-war period were outlined. The Food Distribution Administration, with the assistance of the Bureau of Agricultural Economics and other agencies of the Department of Agriculture, was assigned responsibility for the marketing and distribution phases of the post-war programs. Dr. Frederick V. Waugh, Chief, Program Analysis and Appraisal Branch, FDA, was made national activity leader for the project, and W. H. Elliott, Chief, Program Analysis and Appraisal Division of the Southern Region was designated as regional activity leader. He, in turn, assigned responsibility for leadership in the work in North Carolina to Hillman Moody, State Supervisor, FDA.

This report is not to be considered as a duplication of the work which is being done under the leadership of the Appalachian Post-War Planning Committee of which Dr. R. E. McArdle, Asheville, N. C., is Chairman. Dr. G. W. Forster of N. C. State College is chairman of the working group for North Carolina to which responsibility for the preparation of reports on this and other post-war planning projects has been assigned. The report of that group and the recommendations contained in this report will be correlated into a unified report later.

METHOD OF PROCEDURE

At the request of the Southern Regional office of the Food Distribution Administration, Dr. G. W. Forster called a conference at N. C. State College, December 2, 1943, to consider the matter of selecting three or more projects in marketing and distribution and to make plans for the preparation of a preliminary report on the projects selected. That conference was attended by representatives of the State

Division of Markets, Agricultural Extension Service, Agricultural Experiment Station and Food Distribution Administration. L. R. Paramore represented the Regional Activity leader of FDA. At that conference, Hillman Moody, State Supervisor, FDA, was designated as Chairman of a State working group to select projects and prepare a preliminary report.

A meeting of representatives of State and Federal agencies concerned with marketing was called by chairman, Hillman Moody, December 9, 1943, to select projects and organize work for the preparation of the report. The four projects discussed in this report were selected and sub-committees were formed to prepare reports on each project. The reports of these sub-committees have been combined into the consolidated report which is submitted herewith.

The following are the names of sub-committees which provided the information for this report:

1. Marketing of Cotton
   - Dan F. Holler, Extension Cotton Marketing Specialist, N. C. State College, Chairman
   - H. L. Meacham, Extension Marketing Specialist, N. C. State College
   - J. A. Shanklin, Extension Cotton Marketing Specialist, N. C. State College
   - Dr. E. R. Collins, Head, Department of Agronomy, N. C. State College

2. Marketing of Fruits and Vegetables
   - H. R. Niswonger, Extension Horticulture Specialist, N. C. State College, Chairman
   - M. E. Gardner, Professor of Horticulture, N. C. State College
   - J. Y. Lassiter, Extension Horticulture Specialist, N. C. State College
   - Don. S. Matheson, Fruit & Vegetable Marketing Specialist, State Department of Agriculture

3. Marketing of Poultry and Eggs

   This section of the report was prepared by the State Poultry and Egg Marketing Committee composed of the following members:
   - H. C. Kennett, Farmers Mutual Exchange, Chairman
   - C. W. Sheffield, State Division of Markets, Secretary
   - M. G. Mann, Farmers Cooperative Exchange
   - C. C. McCain, Davidson Farmers Mutual Exchange, Lexington, N. C.
   - Hillman Moody, Food Distribution Administration, Raleigh, N. C.
   - G. Tom Scott, Agricultural Adjustment Agency, Raleigh, N. C.
   - Harry B. Caldwell, State Grange, Greensboro, N. C.
   - C. F. Parrish, Agricultural Extension Service, N. C. State College

4. Marketing of Livestock and Livestock Products
   - Dr. A. O. Shaw, Dept. of Animal Industry, N. C. State College, Chairman
   - Dr. D. E. Brady, Dept. of Animal Industry, N. C. State College
   - Dr. William Moore, State Veterinarian, State Dept. of Agriculture
   - J. A. Arey, Extension Dairy Specialist, N. C. State College

MARKETING AND DISTRIBUTION PROBLEMS IN NORTH CAROLINA

December 31, 1943

INTRODUCTION

Inadequate marketing facilities and failure to develop improved methods of selling farm products have been serious problems in North Carolina for many years. A notable expansion in the production of farm products, particularly food crops and livestock, during the period of the present World War, indicates the necessity for a well-planned marketing program to meet changing conditions during the demobilization period. The anticipated need for large quantities of our farm products to supply the people of other nations may not prevent sudden shifts in the demand for certain commodities.

Farmers, as individuals and as groups, will need assistance in finding markets for products which they have been urged to produce in abundance during the War. This expansion of production has occurred, in many cases, in new production areas where marketing facilities are inadequate and experience in methods of marketing is lacking.

At a meeting of the State working committee, held in Raleigh, December 9, 1943, the problems of marketing all crops and livestock produced commercially in North Carolina were considered in the selection of projects to be recommended for prosecution during the post-war period. Most of them require a considerable amount of research to be used as a basis for determining sound policies for marketing programs. The following four projects were selected for immediate consideration: (1) Marketing of cotton, (2) Marketing of fruits and vegetables, (3) Marketing of poultry and eggs; and, (4) Marketing of livestock and livestock products. No attempt is made in this preliminary report to make complete recommendations on any of these projects since such recommendations would require much more study than time will permit. The recommendations made are intended as suggestions to be developed in a report to be made later. The reasons for selecting these projects for consideration are given in the discussion of each project which follows.

I MARKETING OF COTTON

In North Carolina there are approximately 80,000 cotton growers who produce a crop valued at fifty to eighty million dollars annually. The importance of this crop as one of the principal sources of cash income justified consideration of marketing and distribution of cotton during the post-war period. Cotton, which has been sold to a large extent on a "hog round" basis with little regard for grades, staples and fiber structure, will be at a great disadvantage with respect to marketing at profitable prices, unless action is taken to produce the grades and staples used by the mills in North Carolina and adjoining states and to market the crop according to specified grades and staples. A rapidly expanding use of substitutes for low-grade and short-staple cotton is expected to create a more serious problem in the marketing of this important crop during the post-war period when a surplus of low grades and short staples is expected.

A. Problems of Marketing Cotton in North Carolina

The following are some of the more important problems of marketing cotton in North Carolina:

1. Need for cotton markets which will buy lint on a basis of quality.
2. Need for closer agreement between government classification of cotton and classification by mill buyers.
3. Need for further development of supplies of pure planting seed of good quality from varieties recommended for use within the state.
4. Need for further emphasis on the importance of proper harvesting and ginning as related to marketing.
5. Need for more accurate and complete information regarding the raw cotton requirements of the manufacturers and export trade.
6. Need for acquainting the producers with the quality of cotton desired by the manufacturers and for acquainting the manufacturers with the quality product produced under the one-variety cotton improvement program.
7. Need for a program to induce farmers through organized efforts to produce and market their cotton in such a manner as to receive actual value of the quality produced.
8. Need for continuation of a government loan program based on quality.
9. Need for development of a more applicable market news service.
10. Need for a coordinated cotton research program designed to further develop new uses for cotton.
11. Need for development of a marketing procedure which will enable manufacturers to purchase uniform lots of cotton of a desired variety.

B. Recommendations for Action

The following recommendations are made for action on the problems enumerated:

1. It is recommended that steps be taken by Federal, State and local agencies to establish markets which will buy cotton on a basis of grades and staples instead of a "hog round" basis. This would involve the construction of storage facilities where needed and cooperation between manufacturers, agricultural agencies and farmers.
2. In order to bring about a closer agreement between government classification of cotton and classification by mill buyers, it will be necessary to obtain guaranteed samples from the bale at the gin and thus eliminate split grades as far as possible. Automatic samplers now being used successfully at three gins in the state indicate the feasibility of this method of obtaining dependable samples when the machines are perfected. Obtaining guaranteed samples satisfactory to the trade will require cooperation by farmers and ginners and also enough supervision by licensed inspectors to insure confidence in the dependability of all samples.
   When dependable samples are drawn from each bale at the gin, it should not be hard for the textile industry and federal graders to agree on standardization of grades and staple lengths.

3. Successful marketing of cotton begins when the supply of seed for planting is obtained. Greater emphasis by educational agencies is needed to encourage further development of supplies of pure planting seed of varieties adapted to growing conditions and market demands in the state. Closer supervision of seed stocks by trained personnel will be necessary to insure an adequate supply of improved strains which will produce cotton of the quality and type demanded by North Carolina mills. The present technical staff is insufficient to do the job.
4. Proper harvesting and ginning are important in the marketing of cotton. Much more educational work will be needed to teach farmers the value of these two operations as government classing of cotton becomes more general and the effect of preparation on the value of cotton is demostrated.
5. More accurate and complete information regarding the raw cotton requirements of the manufacturers and the export trade may be obtained through the closer cooperation of the cotton textile institute and trade organizations with agricultural education agencies.
6. A better mutual understanding between manufacturers and cotton producers with respect to quality of cotton desired by manufacturers and the quality produced under the one-variety cotton improvement program can be brought about by cooperation between the State Cotton Improvement Association and the State Cotton Manufacturer's Association. Efforts to bring these organizations closer together should be made by State and Federal agencies concerned with the marketing and improvement of cotton.
7. Further development of the present program of producing and marketing cotton on a quality basis is recommended. Additional technical assistance by State and Federal Agricultural Agencies is needed.
8. A continuation of the present Government Loan Program is recommended. It is also recommended that the Government classification of cotton for members of the Cotton Improvement Association be continued and expanded. The present plan of establishing arbitrary loan values on cotton of low grade and short staple should be discontinued. This plan results in subsidization of the cotton production industry in certain states which have a surplus of these low grades and staples.
9. The present Market News Service is inadequate for North Carolina, in that cotton prices are reported for ten central markets without taking into account the freight differentials between those points and North Carolina mills. For example, a North Carolina cotton buyer may use the market report to justify payment of lower prices for cotton without adding freight from the central market to North Carolina points. It is recommended that the market news service reports be revised to apply to North Carolina points, such as Charlotte or a market near enough to be applicable.
10. It is recommended that steps be taken to further develop a coordinated cotton research program designed to encourage new uses of cotton and to expand present uses on a practical business-like basis rather than on the basis of Government subsidies. Such a program should be carried out jointly by the Agricultural Extension Service, Agricultural Experiment Station, U. S. Department of Agriculture, Textile Foundations, and National Cotton Council.

11. It is recommended that at least one full time agricultural worker be employed by State or Federal Agencies under the direction of the Agricultural Extension Service and Experiment Station to work with mill buyers in developing ways of securing uniform lots of quality cotton of known variety, purity, and origin to meet spinning requirements.

II MARKETING FRUITS AND VEGETABLES

Commercial production of fruits and vegetables occupies an important place in the agricultural industry of the state in terms of cash income. Gross proceeds of sales of fruits and vegetables amounted to 45 to 50 million dollars in 1943. Marketing and distribution of these crops, most of which are perishable, are problems which seriously affect the agricultural economy of the state. These problems include fluctuating consumer demand, transportation, storage, processing, grading and packing. Much research and careful planning by all agencies concerned is needed to stabilize the handling of these important crops during the post-war period. The following outline of problems and recommendations for action is intended only as a partial analysis of the conditions which affect the industry.

A. Marketing Problems

1. Expanded production which must be adjusted to consumer demand.
2. A return to a highly competitive market in the post-war period -- a buyer's market rather than a seller's market.
3. Adjustment of freight rates on an equitable basis.
4. Proper utilization of all post-war transportation facilities for adequate distribution.
5. A quick return to strict grades and standards which have been largely disregarded during the war period.
6. Building up sufficient processing plants for full utilization of surplus fruit and vegetable crops.
7. The use of proper packages to suit commodity and consumer demand.

B. Recommendations for Action

1. An expanded production of fruits and vegetables to meet war needs may result in overproduction of these crops during the post-war period when the demand slackens, unless something is done to adjust production to consumer demand. State and Federal agencies should cooperate in educational programs to reduce production of these perishable crops to reasonable consumer needs on one hand and to increase consumption on the other hand. Sales promotion program will be needed to stimulate purchaser demand. Nutritional programs should be sponsored to utilize a part of the surplus by teaching proper eating habits to children of school age.

2. & 5. The transition from a seller's market to a buyer's market after the cessation of hostilities will necessitate a quick return to sales methods based on strict grades and standards which have been disregarded

to a large extent during the period of the war. Immediate steps should be taken to impress on producers and shippers the necessity for quality production and rigid grading practices. It must be realized that, as the supply of any commodity becomes plentiful, the market reverts to a buyer's market and quality alone will return a profit.

3. Equitable adjustment of freight rates on perishable commodities in line with rates of competing eastern and western states must be made in North Carolina if growers are to maintain quantity production. They pay relatively high rates on the supplies that they buy and the products that they sell. This factor alone often represents the difference between profit and loss. Much earnest effort has been made with little success to correct this discrimination between areas, but the problem is too serious to abandon the effort to remove this trade barrier. The remedy will require concerted action by State agencies and leaders of farm organizations and cooperation of Federal authorities interested in equitable opportunities for all regions.

4. Sharp competition in transportation - truck, air and rail, is expected during the post-war period. Each transportation facility has a definite place in the marketing picture. Adequate truck terminals and sufficient assembly points should be built to expedite distribution and to reduce empty back hauls. Some of our transportation equipment is out-moded. New designs of cars and trucks are badly needed. Any of these improvements that will reduce cost of transportation will reflect saving to consumers, increase the returns to producers and stimulate consumption.
These improvements require much study of transportation problems to meet changed conditions and careful planning to adjust marketing practices to new transportation facilities. Immediate employment of personnel trained in marketing and transportation is needed to work with planning agencies such as the State Planning Board on this important problem.

6. North Carolina has inadequate processing facilities. A few small processing plants are not enough to utilize our surplus production. Large canneries and cold-packing plants should be located near production centers in order to provide the longest period of operation with minimum transportation of the raw product. Research in freezing and canning peaches, various greens and soup mixtures should be started to develop additional facilities for utilizing surplus production and to prolong the processing period. Production plans for such plants should be made carefully and a direct sales program in the southern territory should be mapped.

7. New methods of transportation and increased consumer packaging make new types of lighter and, if possible, cheaper containers necessary. The large package manufacturers are conducting research in such lines, but the marketing agencies should keep fully informed of any new developments and make every contribution possible to this activity.

B. Correlation of Plans for Marketing

Since various agricultural agencies and farm organizations may desire to submit proposals for post-war projects and since correlation of such proposals is necessary to formulate a unified program for North Carolina, it is recommended that the State Planning Board, or some agency designated by that Board, be requested to act as a clearing house on all proposals for post-war projects pertaining to marketing. It is further recommended that the State Planning Board be requested to render material assistance in the development of projects designed to improve marketing facilities.

III MARKETING POULTRY AND EGGS

The poultry production industry has been expanded greatly in North Carolina during recent years and especially during the war period. This expansion has occurred, not only in the number and size of commercial flocks but also in farm flocks. Cash income from sales amounts to approximately 45 million dollars annually. Problems of marketing and distribution may become much more serious during the post-war period when local consumer demand slackens unless steps are taken in advance to provide marketing facilities within reach of local producers.

A. Marketing of Eggs

Factors that should be considered in a marketing program for eggs are:

1. Candling and grading
2. Distribution
3. Consumer education
4. Advertising program to be instituted and carried on by the industry.
5. Quality Egg Program for farmers

Facilities that will be needed to stabilize the marketing program and make it workable are:

a. Cooler space for long storage
b. Grading facilities
c. Arrangements for Handling surplus eggs

B. Marketing of Poultry

Marketing and distribution of poultry will require the following facilities and adjustments:

1. Additional Processing Plants that will meet trade specifications and enlargement of present dressing plants.
2. Cold storage and hard freezers to handle all poultry meats.
3. Quick freezing facilities.
4. Removal of freight differentials to put the area on par with other states.

A marketing program to keep production in line with consumption should include the following activities:

1. Support of floor prices based on quality during the surplus production season.
2. Continuation and further development of the present program of grading and also stabilization of quality production.

No attempt is made in this preliminary report to develop the procedure which would be necessary to accomplish these recommendations. All agencies concerned with marketing poultry and eggs and farm organization leaders should cooperate with leaders in the poultry industry in the development of plans for providing the facilities and services needed.

IV MARKETING LIVESTOCK AND LIVESTOCK PRODUCTS

The livestock industry, particularly cattle and hogs, has expanded considerably in recent years. It ranks next to the top as a source of cash income. The armed forces plus an increased civilian population with greater buying power than ever before have created markets for fluid milk which exceeds the supply in some areas. Army purchases of uninspected milk on laboratory tests have created a market for many farmers whose dairies are not equipped to produce grade A milk. These farmers may encounter serious problems in disposing of their milk, except for manufacturing purposes, during the post-war period unless steps are taken to provide approved facilities. Expansion in the production of feeds and the development of pastures have not kept pace with the increase in livestock production. Much educational work is needed to adjust the production of livestock to the supply of feed.

The following brief statement points out some of the problems which will confront the livestock industry after the war.

A. Milk and Dairy Products

At the present time the dairy industry in North Carolina is supplying fluid milk to civilians and to the Army. It takes approximately 15,000 gallons daily for the Army. At the present time we are importing approximately 10,000 gallons of milk daily from Northern States. The amount of milk supplied the Army plus the amount of milk imported amounts to approximately 25,000 gallons daily. Logically, one would assume that we would have 15,000 gallons of surplus milk, provided the Army camps are shut down. Such is not the case since approximately 15,000 gallons of uninspected manufactured milk is now being used daily in North Carolina. Therefore, it is doubtful if fluid milk will offer any post-war marketing problem.

Some of the committee raised the point that consumption of milk could be increased in North Carolina provided it cost less per quart. A detailed study of the available information shows the following:

Market	Price Paid Farmers for Class I Milk	Cost to Consumer per single quart
Birmingham, Ala.	$ 4.25	17¢
Hartford, Conn.	4.13	16¢
Macon, Ga.	4.28	16¢
Lowell, Mass.	4.10	16¢
New Brunswick, N. J.	3.83	17¢
Buffalo, N. Y.	3.80	17¢
Durham, N. C.	4.00	17¢
Winston-Salem, N. C.	4.00	17¢
Philadelphia, Pa.	4.05	14¢
Roanoke, Va.	3.60	15¢
Madison, Wis.	3.10	13¢
Minneapolis, Minn.	3.25	13¢
Kansas City, Mo.	3.57	15¢

These figures indicate that milk is selling at a fair price in North Carolina if judged by prices received in other areas.

The committee, therefore, recommends that any post-war problem relative to milk and dairy products would resolve itself into plans which would facilitate passing back to the producer a larger proportion of the consumer purchase price. We make this recommendation since cost accounts of the cost of milk production by North Carolina dairymen show the margin of profit to be small.

B. Marketing of Livestock and Meat Products

Development of the livestock industry in North Carolina is dependent chiefly on two main requirements. First, an adequate supply of home raised feeds, particularly roughage; and second, orderly marketing and processing facilities which will return a larger proportion of the consumer purchase price to the producer.

North Carolina is at present severely handicapped by the lack of slaughter and processing plants to adequately handle livestock produced. The bulk of the livestock which is sold from farms in North Carolina is either sold direct to packers outside of the state or is concentrated and sold at local auction markets. These local markets are an improvement over conditions formerly existing in this State although there is still room for improvement. The point which should be emphasized is that the shipment of livestock from this State to Northern markets and the return shipment of the carcasses has resulted in excessive marketing costs. One point of particular interest is the fact that North Carolina is a deficit meat animal producing state. A very large proportion of the meat animals and more particularly the hogs produced are killed either on the farms or in small slaughtering establishments, the result being that adequate use is not made of the offal and other by-products. This lack of proper processing equipment and storage facilities results in a large proportion of the pork being home cured. Even with this method of handling, a tremendous

tonnage of meat is lost each year. Clearly, the critical need for combination slaughter and freezer locker plants is indicated. The use of refrigerated curing facilities in connection with these plants is imperative. The establishment of the above mentioned facilities would also greatly increase the home consumption of beef produced in North Carolina.

There is also a need for an expansion of present facilities for assembling and grading feeder cattle, particularly in the mountain and tidewater sections of the State. This would benefit feeder cattle producers, since the buyers could come to a central point and buy in car load lots. Many feeder cattle buyers hesitate to come here from the corn belt because they are interested in buying a large number of feeders at one location.